

November 13, 2001

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VIA ELECTRONIC SUBMISSION

Ms. Carmen Suro-Bredie
Chair
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, DC 20508

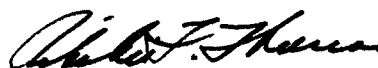
**Re: Imports of Certain Steel: Request to Exclude Certain Welded Large Diameter Line
Pipe from Import Relief Under Section 203**

Dear Ms. Suro-Bredie:

On behalf of BP America Inc. ("BP"), an importer and purchaser of large diameter line pipe, we hereby submit BP's Request to Exclude Certain Welded Large Diameter Line Pipe from Import Relief under Section 203 of the Trade Act of 1974.

Please contact the undersigned with any questions regarding this submission.

Respectfully Submitted,



Ritchie T. Thomas
James V. Dick
Anne K. Shukis

Counsel for BP America Inc.

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**BEFORE THE
TRADE POLICY STAFF COMMITTEE
UNITED STATES TRADE REPRESENTATIVE**

**BP AMERICA INC.'s REQUEST TO EXCLUDE CERTAIN WELDED LARGE
DIAMETER LINE PIPE FROM IMPORT RELIEF UNDER SECTION 203**

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A. INTRODUCTION/EXECUTIVE SUMMARY

BP America Inc. (BP), a wholly owned U.S. subsidiary of BP plc and the parent company for Amoco Production Company, BP Exploration and Production Inc., and BP Products North America, requests that the President exclude from any import relief imposed on steel products certain welded large diameter carbon and alloy line pipe that is not manufactured in the U.S. and is critical to planned U.S. oil and gas pipeline projects.

B. THE DESIGNATION OF THE PRODUCT UNDER A RECOGNIZED STANDARD OR CERTIFICATION AND THE HTSUS NUMBER

BP requests exclusion of certain types of welded carbon and alloy steel line pipe, of circular cross section and with an outside diameter greater than 406.4 mm (16 inches), whether or not stenciled – usually referred to as “welded large diameter line pipe.” See Certain Welded Large Diameter Line Pipe From Japan and Mexico, USITC Pub. 3400, Inv. 731-TA-919-920, (March 2001) (prelim. aff.). These products are normally produced according to American Petroleum Institute (API) specifications, including Grades A25, A, B, and X ranging from X42 to X80, but can also be produced to other specifications.¹ Id. BP requests exclusions for certain size and grade combinations of welded large diameter line pipe (LDLP) as described in section C. The products for which BP requests exclusions are not classified separately under the Harmonized Tariff Schedule of the United States (HTSUS) but are included within the following HTSUS subheadings applicable to all welded LDLP: 7305.11.10.30, 7305.11.10.60, 7305.11.50.00, 7305.12.10.30, 7305.12.10.60, 7305.12.50.00.

¹ “Welded large diameter line pipe” as used herein does not include American Water Works Association (AWWA) specification water and sewage pipe.

C. A DESCRIPTION OF THE PRODUCT BASED ON PHYSICAL CHARACTERISTICS

BP requests exclusion of the categories of LDLP listed in subsections 1, 2 and 3, below.

1. Welded LDLP Excluded from Recent Antidumping Investigations

BP requests the exclusion of welded LDLP that the domestic producers voluntarily excluded from the recent antidumping investigations involving Certain Welded Large Diameter Line Pipe from Japan and Mexico because they are unable to manufacture the products. These exclusions include line pipe of the following size/grade combinations:

- a. Outside diameter ("OD") greater than or equal to 18 inches and less than or equal to 22 inches, with a wall thickness ("WT") measuring 0.750 inches or greater, regardless of grade.
- b. OD greater than or equal to 24 inches and less than 30 inches, with WT measuring greater than 0.875 in grades A, B, and X42, with WT measuring greater than 0.750 inches in grades X52 through X56, and with WT measuring greater than 0.688 inches in grades X60 or greater.
- c. OD greater than or equal to 30 inches and less than 36 inches, with WT measuring greater than 1.250 inches in grades A, B, and X42, with WT measuring greater than 1.000 inches in grades X52 through X56, and with WT measuring greater than 0.875 inches in grades X60 or greater.
- d. OD greater than or equal to 36 inches and less than 42 inches, with WT measuring greater than 1.375 inches in grades A, B, and X42 with WT measuring greater than 1.250 inches in grades X52 through X56, and with WT measuring greater than 1.125 inches in grades X60 or greater.
- e. OD greater than or equal to 42 inches and less than 64 inches, with a WT measuring greater than 1.500 inches in grades A, B, and X42, with WT measuring greater than 1.375 inches in grades X52 through X56, and with WT measuring greater than 1.250 inches in grades X60 or greater.
- f. OD equal to 48 inches {or greater}, with a WT measuring 1.0 inch or greater, in grades X80 or greater.

See Welded Large Diameter Line Pipe from Mexico, 66 Fed. Reg. 42,841 (Dep't Commerce Aug. 15, 2001) (prelim. aff.); Welded Large Diameter Line Pipe from Japan, 66 Fed. Reg. 34,151 (Dep't Commerce June 27, 2001) (prelim. aff.).

Category (f) above has expanded the antidumping exclusion by adding “or greater” after “OD equal to 48 inches.” The addition of these words expands the antidumping order exclusion to include the heavy-walled, high-API-grade pipe described with ODs greater than 48 inches (e.g., 52 inches). This expansion is requested because it now appears likely that the potential Alaska Gas Pipeline project will require LDLP that is greater than 48 inch OD. Just as welded line pipe in API grade X80 or greater with a WT of 1 inch or more is not available with an OD of 48 inches, it is not available with ODs greater than 48 inches, which are even further outside the manufacturing capability of U.S. producers. See Certain Welded Large Diameter Line Pipe From Japan and Mexico, TA-731-919-920, USITC Pub. 3400, (March 2001) at Table I-1 (Ex. 1).

2. Welded LDLP in Grades Greater than API Grade X80 (i.e., with Yield Strengths Substantially Above that of X80)

There is a possibility that, in order to improve the economic viability of the Alaska Gas Pipeline, it might be desirable to utilize welded LDLP manufactured of steel with yield strength well above that of API grade X80. This permits the pipe to be manufactured with thinner walls, using less steel, while maintaining great yield strength. No U.S. LDLP manufacturer makes LDLP of grades above X80. See id. (Ex. 1).

3. Welded LDLP in Grades X80 or Above, with OD 48” or Greater, With WT of 0.900” or More

Although it is available from a U.S. producer, there is very limited U.S. capacity to manufacture welded LDLP in 40 foot lengths, of grade X80, with OD 48 inches or greater, and wall thicknesses from 0.900 inches to 1.0 inches. (As noted above, such pipe of wall thickness of 1.0 inches or greater is entirely unavailable). In view of this limited capacity, BP requests an exclusion for this category of LDLP as well. In the event this category is not excluded from any

import restrictions or duties imposed, it would be essential that the President's action include a truly workable, expeditious "short supply" provision.

D. BASIS FOR EXCLUSION

The President should exclude the products described in categories 1 and 2 above from any import relief because the U.S. industry does not manufacture these products, which are critical to impending oil and gas projects and for which no substitutes exist. Unless these exclusions are granted, the imposition of import quotas or the 50% duties advocated by some U.S. pipe and tube producers on imports of welded carbon and alloy pipe and tubes would delay and possibly prevent the construction of planned oil and gas projects to bring needed new energy supplies to U.S. industries and consumers.

With domestic reserves becoming scarce, petroleum and natural gas exploration and development on- and offshore in the United States have been moving into increasingly harsh (deep water and arctic) environments. See, e.g., Marshall DeLuca, U.S. Gulf has 112 Discoveries in Water Depths Greater than 1,500 ft., Offshore, Jan. 2000 at 34 (Ex. 2) ("the one constant during the 1998-1999 industry economic downturn was deep water action . . . deepwater activity remained strong in 1999 despite the other areas feeling the weak market crunch"); Robert H. Peterson & Paul J. Post, Gulf of Mexico Deepwater Future Looks Bright as New Plays Result in Major Discoveries, Oil and Gas J., Nov. 6, 2000 at 74 (Ex. 3) (deepwater oil production exceeds that of Gulf of Mexico shelf and slope wells after an explosion in activity in 1996 through 1999 and has a bright future).

The Report of the National Energy Policy Development Group recently observed:

Remaining U.S. oil reserves are becoming increasingly costly to produce because much of the lower-cost oil has already been largely recovered. The remaining resources have higher exploration and production costs and greater technical

challenges, because they are located in geologically complex reservoirs, (*e.g.*, deep water and harsh environments). . . .

While the resource base that supplies today's natural gas is vast, U.S. conventional production is projected to peak as early as 2015. Increasingly, the nation will have to rely on natural gas from unconventional resources, such as tight sands, deep formations, deep water, and gas hydrates. Also, many resources are in environmentally sensitive areas

Report on the National Energy Policy Development Group ("National Energy Policy") May 2001, at 5-3 to 5-6. See also Daniel Fisher, Going Deep, Forbes, Apr. 2, 2001 at 110, 112 (Ex. 4) ("By 2005 BP expects to pull 1.3 million barrels of oil and their equivalent of gas a day from fields lying in waters more than 1,000 feet deep . . . 25% of its worldwide production . . .").

BP, the largest oil and gas producer in the United States, is playing a leading role in two major new pipeline projects in harsh deep water and arctic environments that will bring valuable resources to U.S. consumers: (1) the "Mardi Gras" project in the Gulf of Mexico, and (2) the Alaska Gas Pipeline project that will extend from the North Slope of Alaska to the Midwestern United States. Jointly, these projects mean over 100 billion dollars of direct revenue to governments in the form of greater taxes and royalties plus the creation of thousands of U.S. jobs.

The Mardi Gras Transportation System will transport oil and natural gas produced from reservoirs approximately 150 miles south of New Orleans, in formations lying on the slope of the outer continental shelf, under very deep waters. There is estimated to be 3.5 billion barrels of recoverable crude and natural gas equivalent in these properties. The Mardi Gras project will consist of four main pipelines: crude and gas pipelines originating in the Southern Green Canyon area; and crude and gas pipelines originating in the Mississippi Canyon area. (See Ex. 5). These pipelines will originate in depths of between 4,500 feet and 6,500 feet respectively.

The demands of constructing pipelines at the depths at which the Mardi Gras System originates requires large diameter, unusually thick-walled, submerged arc weld (SAW) pipe of

high API grade steel (for tensile strength) with a very high degree of roundness and end finish to address collapse and fatigue concerns. The design must be robust and the LDLP must be of the highest available strength, quality and reliability in order to prevent any possibility of catastrophic failures with potentially severe environmental and economic consequences. The specifications for the Mardi Gras deep water segments are critical – there is no possibility of substitution, at any price, with LDLP that does not meet these specifications.

BP purchases welded LDLP from U.S. producers when they are able to meet BP's required dimensions and specifications (e.g., the on-shore and shallow water portions of Mardi Gras). However, BP must rely on imported LDLP for the risers and deep water portions of the Mardi Gras project. SAW line pipe with the specific combinations of OD, WT, API grade, and stringent dimensional control for these segments of the project is not available from any pipe producer in the United States.² In recognition of this fact, petitioners in the recent welded LDLP antidumping investigations voluntarily modified the scope of those proceedings to exclude the pipe concerned. See Welded Large Diameter Line Pipe from Mexico, 66 Fed. Reg. 42,841 (Dep't Commerce Aug. 15, 2001) (prelim. aff.); Welded Large Diameter Line Pipe from Japan, 66 Fed. Reg. 34,151 (Dep't Commerce June 27, 2001) (prelim. aff.).

Initial orders for LDLP for the Mardi Gras lines have been placed, in reliance on the exclusions from the antidumping proceedings, with initial shipments expected to arrive in

² Shell Exploration and Production Company (SEPCo) noted in their post-hearing injury submission to the International Trade Commission that SEPCo similarly had to rely on imports of high-specification LDLP for the Na Kika Project in the Gulf of Mexico:

Earlier this year, SEPCo awarded the welded line pipe for this project to a {BPI omitted} because SEPCo was concerned that the U.S. industry could not supply the sizes and grades needed. In fact . . . most of the large-diameter welded pipe needed for the Na Kika project falls within the exclusion that the U.S. industry accepted in the current antidumping case against Japan and Mexico.

Post-Hearing Injury Brief of Shell Exploration and Production Company, Oct. 8, 2001, at 9.

January 2002, and additional shipments arriving in February through September 2002. The total invested by BP and expected partners Shell, Exxon Mobil, Unocal, and BHP in the Mardi Gras project will be in excess of one billion dollars. Tariffs or quotas imposed now would seriously damage the fundamental economics of the project, potentially putting it at risk. The completion of the Mardi Gras system would deliver up to one million barrels a day of domestic production.

The Alaska Gas Pipeline project is a potential pipeline that is being reviewed in a feasibility study by BP and other North Slope producers. It is currently planned to be a large capacity, and therefore large-diameter (likely 48- or 52-inch OD), buried pipeline that will extend from the North Slope of Alaska to the Midwestern United States. (See Ex. 6). Harsh arctic conditions, environmental protection concerns, and local codes in jurisdictions through which this pipeline will pass require the use of very thick-walled (.813 inches to 2 inches), high API grade (X80 or above) pipe meeting stringent mechanical and dimensional specifications. As much as 5.2 million metric tons of pipe will be required, approximately half of which will be installed within U.S. borders.

Again, the welded line pipe required for much of this line is not available from U.S. line pipe producers. Recognizing this, petitioners in the welded large diameter line pipe antidumping proceedings requested exclusions of line pipe with an OD of 48 inches, with a WT measuring one inch or greater, in API grades X80 or greater. See Welded Large Diameter Line Pipe from Mexico, 66 Fed. Reg. 42,841 (Dep't Commerce Aug. 15, 2001) (prelim. aff.); Welded Large Diameter Line Pipe from Japan, 66 Fed. Reg. 34,151 (Dep't Commerce June 27, 2001) (prelim. aff.). Due to recent changes in the proposed specifications for the Alaska Gas Pipeline, BP requests that this exclusion be expanded to include OD of 48 inches or greater, because pipe of these specifications similarly is not available from U.S. producers in any OD 48 inches or greater.

Furthermore, BP also requests exclusion of large diameter line pipe with yield strength greater than X80 grade, in all combinations of OD and WT. U.S. producers do not have the capability to produce such very high grade pipe (i.e., with a yield strength substantially greater than that of X80 pipe). BP is currently evaluating whether the use of such pipe may be an option to make the Alaska Gas Pipeline project economically feasible. BP also requests an additional exclusion for LDLP in grades X80 or above, OD 48 inches or greater, and WT 0.900 inches and above in 40 foot lengths, because of limited U.S. capacity to manufacture such pipe.

The Alaska Gas Pipeline would bring as much as 50 to 100 trillion of cubic feet of clean burning, Arctic Alaskan gas to needy markets in the continental U.S. This pipeline has been proposed since the Carter Administration but has not been built due to the cost of constructing the pipeline to transport the gas. This project is currently estimated to cost around \$15 - 20 billion dollars, which in itself would be a great stimulus to the economy. This line is still not sanctioned, but in partnership with Exxon Mobil and Phillips, BP is spending over \$100 million to try and identify ways to lower costs to the point where the project would be feasible. Tariffs or quotas added to the cost of the line pipe that composes up to one-third of the project's total would very likely be fatal.

E. NAMES AND LOCATIONS OF DOMESTIC AND FOREIGN PRODUCERS OF THE PRODUCTS FOR WHICH EXCLUSIONS ARE SOUGHT

There are no U.S. producers of the products for which exclusions are sought. U.S. producers of LDLP, and in particular the four U.S. SAW producers – Berg, Pennsylvania Steel Technologies (Bethlehem), Napa, and SAW³ – cannot manufacture the products for which

³ Berg Steel Pipe Corp., Panama City, FL
Pennsylvania Steel Technologies (Bethlehem)
Napa Pipe Corporation, Napa, CA
SAW Pipes USA, Bayton, Texas

exclusions are sought due to limitations in the combinations of size, wall thickness, and grade their facilities can manufacture satisfactorily.

Several foreign producers have the potential to manufacture these products and have sufficient capacity to supply BP's anticipated needs.⁴ Like the U.S. producers, however, the foreign mills are also limited in one way or another in the size, thickness, and grade of pipe that they can manufacture. Table 1 identifies the names and locations of the foreign producers, and indicates which project the mills may be able to supply.

Other U.S. LDLP producers (of electric resistance weld pipe) include American Steel Pipe Division of American Cast Pipe Co., Birmingham, AL and Stupp Corp., Baton Rouge, LA.

⁴ BP would need to conduct rigorous mill audits to verify each producer's ability to supply the pipe needed for Mardi Gras and Alaska Gas.

Table 1. Foreign Producers of Excluded Products

Mill	Location	Comments
Ilva Laminati Piani SpA	Italy	Potentially Mardi Gras and some of the pipe for Alaska Gas
Corus plc	London, U.K.	Potentially Mardi Gras only. Cannot produce pipe for Alaska Gas due to a 42" OD limitation
Eisenbau Kramer (EBK)	Hillenbach, Germany	This is a specialty mill, with only 70,000 tons per year capacity
Europipe	Ratigen, Germany and Dunkerque, France	Mardi Gras and Alaska Gas
Confab	Pindamonhangaba, Brazil	Potentially Mardi Gras only
Productora Mexicana de Tuberia SA de CV (PMT)	Michoacan, Mexico	Potentially some of the pipe for Mardi Gras and Alaska Gas
Sumitomo Metal Industries	Tokyo, Japan	Mardi Gras and Alaska Gas
Kawasaki Steel Corp.	Tokyo, Japan	Mardi Gras and Alaska Gas
NKK Metal	Tokyo, Japan	Mardi Gras and Alaska Gas
Nippon Steel Corp.	Tokyo, Japan	Mardi Gras and Alaska Gas

F. TOTAL U.S. CONSUMPTION OF THE PRODUCT, IF ANY, BY QUANTITY AND VALUE FOR EACH YEAR FROM 1996 TO 2000, AND PROJECTED ANNUAL CONSUMPTION FOR EACH YEAR FROM 2001 TO 2005, WITH AN EXPLANATION OF THE BASIS FOR THE PROJECTION

Import data is not available to the level of specificity of the requested exclusions, which represent certain size/grade combinations of LDLP. Table 2, which lists the import data for the broader category of all SAW LDLP, is included for reference. BP would like to note, however, that BP had no major U.S. pipeline projects utilizing SAW pipe in the 1996-2000 period, which therefore is not representative of future requirements.

Table 2. Total U.S. Consumption – SAW Pipe 1998-2000⁵

Year	Quantity (short tons)	Value (\$1,000)
1996	Data not available	Data not available
1997	Data not available	Data not available

⁵ See Certain Welded Large Diameter Line Pipe from Japan and Mexico, USITC Pub. 3400, Inv. 731-TA-919-920 (March 2000), at Tables IV-3, IV-4.

1998	833,243	591,645
1999	778,866	521,816
2000	514,966	288,054

BP America does not have an adequate basis for projecting total U.S. consumption for 2001 to 2005 for the requested exclusions, or for the more general category of SAW line pipe. Informal projections of BP America's consumption of SAW large diameter line pipe from 2001 to 2007 are included in Table 3.

Table 3. BP America's Projected Consumption of SAW LDLP

Year	Quantity (metric tons)	Project
2001	30,000	Mardi Gras
2002	185,000	Mardi Gras and sample pipe for Alaska Gas
2003	75,000	Mardi Gras (shallow and on-shore portions)
2004	220,000	Alaska Gas (contingent on project proceeding)
2005	870,000	Alaska Gas (contingent on project proceeding)
2006	870,000	Alaska Gas (contingent on project proceeding)
2007	650,000	Alaska Gas (contingent on project proceeding)

G. TOTAL U.S. PRODUCTION OF THE PRODUCT FOR EACH YEAR FROM 1996 TO 2000, IF ANY

Import data is not available to the level of specificity of the requested exclusions. Table 4, which lists total U.S. production of the broader category of SAW LDLP from 1998-2000, is included for reference.

Table 4. Total U.S. Production of SAW LDLP 1998-2000⁶

Year	Quantity (short tons)
1996	Data not available
1997	Data not available
1998	766,901
1999	658,744
2000	169,938

H. THE IDENTITY OF ANY U.S. PRODUCED SUBSTITUTE FOR THE PRODUCTS, TOTAL U.S. PRODUCTION OF THE SUBSTITUTE FOR EACH YEAR FROM 1996 TO 2000, AND THE NAMES OF ANY U.S. PRODUCERS OF THE SUBSTITUTE.

Acceptable substitutes for these products do not exist. U.S. line pipe producers do not manufacture specialty carbon and alloy line pipe of the requisite combinations of type, dimensions, roundness, end finish, steel grade and mechanical characteristics. LDLP that fails to meet BP's demanding requirements is not suitable for the environments in which the pipe is to be used. Those requirements are imposed in the critical applications at issue to preclude the risk of catastrophic failures, with massive attendant environmental and economic damage.

Respectfully submitted,



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⁶ See *id.* at Table C-3.